

# MANAGEMENT INFORMATION SERVICE

Page 603

INTERNATIONAL CITY MANAGERS' ASSOCIATION  
1313 EAST 60TH STREET - CHICAGO 37, ILLINOIS

Report  
96 Jan.-'52

This report was prepared in response to an inquiry from a municipality subscribing to this Service and is distributed to all subscribers. The contents may not be reproduced without permission.

Route To:

Return To:

## MUNICIPAL EXPERIENCE WITH CAR RENTAL PLANS

What is the experience of cities with renting automobiles for city use and what are the usual provisions of lease agreements?

The policy of renting instead of buying passenger cars, according to the officials of 12 cities that use this plan, has proved economical and has resulted in better service. Cars generally are rented mainly for police service, although some cities rent cars for other activities. Competitive bids are received, the successful bidder supplies new cars and maintains them at a fixed rate per mile or a flat charge per month, and he agrees to replace the cars after a certain number of miles or after one year, whichever comes first. The city generally pays for the gas, oil, and installation of special equipment. Seven other cities purchase cars but obtain maintenance on a lease basis. One city (Berkeley, Calif.) makes payments to policemen and other city employees who use their own cars; such employees in effect rent their cars to the city. Of the 20 places that have some type of rental plan all except one (Sanitary District of Chicago) operate under the council-manager plan.

The rental plans of most of the 20 cities and counties have been in effect less than two years. Advantages of rental plans cited by city managers and other officials are: (1) the city is assured that cars are in good operating condition at all times, perhaps because the dealers generally provide 24-hour service; (2) cars are turned in at a predetermined mileage or one year, before a new set of tires is needed and before the cars require much maintenance or repair; (3) the city has no capital outlay in equipment and in a city garage; (4) cities that do have garages can release men to work on other jobs; (5) the contractor keeps the cars in good repair because he wants to have them in good shape for resale; (6) it provides a more accurate basis for forecasting annual cost of motor car operation; and (7) rental is more economical than purchase of cars for police and other uses where mileage is high.

Provisions of the lease agreements of the 20 cities are summarized in the individual city statements below. An analysis of provisions in such agreements shows some unusual features. In Alhambra if government restrictions make it impossible for the dealer to replace cars the city may purchase the rented cars at current market value. The dealer in Alexandria makes periodic inspection reports to city manager on the condition of each car. Las Vegas has an option to buy the cars on a basis set forth in the agreement if either party terminates the agreement. In Boulder the car dealer pays for repairs costing less than \$50 resulting from accidents. In Charleston County the rental rate is tied in with the Bureau of Labor Statistics automotive equipment price index.

Two cities which have used and abandoned car rental plans are Evanston and Wilmette, Illinois. Both cities began the practice in 1936 and Evanston discontinued the plan in 1942 when cars were rationed and Wilmette in 1943. The police chief of Evanston reports that his city has found it more economical to own and service their own cars than to rent them, and the village manager of Wilmette reports that a study made in 1943 showed that it was more economical to own and service cars at the city garage and to trade them in at 50,000 miles than it was to rent them. Evanston had rented 14 cars and Wilmette three cars for police use. The dealer supplied all

(Over)



maintenance and servicing, including gas and oil. Evanston paid \$10,600 per year for a minimum fleet mileage of 265,000 miles on the 14 cars, while Wilmette paid a flat charge of \$7 per week per car plus 2 1/2 cents per mile, actual costs totaling about 3 1/2 cents per mile.

The practice of renting instead of buying cars probably was started by large industrial and business concerns in 1932, according to the Wall Street Journal for March 19, 1951, which points out that by 1940 ten firms were in the business of leasing cars to business concerns and by 1951 there were 35 such firms. Among the companies that rent cars are Colgate-Palmolive-Peet, Jones & Laughlin Steel, Republic Steel, Westinghouse Electric, Radio Corporation of America, American Cyanamid, and B. F. Goodrich Rubber Company. The latter company rents 700 cars for salesmen.

General practice in the commercial field, according to the Wall Street Journal, is for the business concern to pay a flat monthly rate, which includes everything except gas, oil, washing, and storage. The renting company assumes all maintenance and repairs and is paid monthly rentals of \$60 to \$72 per car for cars in the low-priced field. As in the case of cities, cars usually are traded in after 12 months or sooner if maintenance costs mount too rapidly.

City officials should remember, however, that one of the main reasons for the popularity of the car rental plan in private business is that the entire expense is 100 per cent tax deductible. On the other hand, the experience of the cities that rent cars indicates that the rental plan even without this tax exempt feature results in a saving to the city or at least does not cost any more than municipal ownership of cars.

Officials of the larger cities which have central municipal garages believe that it is more economical for the city to own and maintain passenger cars than to rent them. The official of one large city not using the rental plan believes that a city with 40 or more cars can save money with its own garage. The manager of a city that rents cars points out that when there is a large private customer demand for new cars the dealers generally are not eager to enter into rental arrangements with cities. City officials, therefore, should be careful about signing with dealers who are doing a large volume of business and who may have a shortage of cars because this type of dealer may be slow in making trade-ins on schedule. This is especially true at a time when factories are reducing allocations to dealers.

#### Car Rental Plans

The rental plans of 12 cities and counties vary considerably as to details. The data below were reported by city and county officials.

Alexandria, Va. (73,500): In July, 1951, the city signed a three-year lease agreement with Capital Fleets, Inc., a firm specializing in auto rentals to business firms, for the rental of 30 cars, 14 of which are used for police duty and 16 for other city departments. The total rental cost to the city for these 30 cars is approximately \$20,000 per year. The specifications were drawn to eliminate cars in the low-priced field for police duty. Bids were received from five concerns. The successful bidder signed an agreement to provide new police cars every 12 months after an estimated use of from 30,000 to 40,000 miles. The other 16 cars will receive less use and can therefore be in the low-priced field and will be replaced every 36 months.

The rental company furnished maintenance and repairs, lubrication, anti-freeze, and fire, theft, and comprehensive insurance. All cars are equipped with heaters. The only cost to the city is gas, oil, public liability and property damage insurance,



and tire replacements if needed. The city receives periodic reports from the rental company on the condition of each automobile. Cases of abnormal wear or abuse of cars are referred to department heads who investigate and take necessary corrective action.

The city has had six months experience with this rental plan and the city manager is convinced that a considerable saving has been effected as compared with the previous plan of owning and maintaining city cars. The manager reports that "city employees are more than satisfied, service on the cars is excellent, and cars are not tied up for several days at a time as they were when they were repaired at the city garage."

Alhambra, Calif. (51,359): Since 1950 this city has leased 11 four-door Ford sedans. The dealer supplies tires and tubes as needed, oil, lubrication, parts, and does all maintenance and repair work. The dealer installs radios, sirens, and other police equipment furnished by the city at no cost to the contractor. The dealer retains legal title to the cars but the registered owner is the city. The agreement provides that the city shall keep the cars insured at all times against fire, theft, collision, including comprehensive, property damage, and public liability. It also provides that the dealer shall not be liable or responsible for any damage or injuries to persons or property arising out of the use of the cars. The dealer agrees to replace the cars with new cars at 24,000 miles.

Arcadia, Calif. (23,041): Since November, 1949, the city has rented police cars from a local dealer who agrees to replace the cars at 30,000 miles or six months whichever occurs first. The dealer provides all servicing, maintenance, and repairs including gasoline, tires, oil, lubrication, and replacement of parts. The city provides special police equipment and carries liability and property damage insurance and pays for repairs resulting from collisions. The police department submits monthly statements to the city clerk who pays the dealer at the rate of 7 cents per mile.

Boulder, Colo. (19,999): The city rents three V-8 Fords from a local dealer for police use at 4 1/2 cents per mile; cars have been rented since 1946. The cars are equipped by the dealer with heavy duty generators, seat covers, necessary tools, spare tire, tire chains, anti-freeze, heater, and directional spotlight operated from within the car. The dealer furnishes all motor oil, replacement of tire chains, lubrication, and washing. The dealer is also responsible for licensing of vehicles, necessary inspection certificates, etc. The dealer gives top priority to police cars in his repair shop and he agrees to replace any equipment needed to keep the cars in operation during the period of the contract. The city pays for all gasoline, public liability and property damage insurance, and for installation and repair of radio, sirens, and red lights. The dealer assumes the cost of all repairs resulting from accidents when damage does not exceed \$50; repair costs exceeding \$50 for accidents are the responsibility of the city. It is estimated that each automobile will travel about 48,000 miles per year at a cost of \$2,160 to the city plus gasoline, insurance, and certain special equipment. The dealer replaces any car that is defective or otherwise unfit for service even though the contract is not completed.

Burbank, Calif. (78,318): In June, 1950, the city sold its 12 police patrol cars, most of which had been driven more than 100,000 miles, and entered into a contract with a local car dealer to provide for police use a 14-car fleet of Ford 110 H.P. police specials on a rental basis at a flat rental charge of 2 cents per mile. Detailed specifications had been prepared for (1) the city to purchase the cars and the dealer to supply maintenance, and (2) the dealer to rent cars to the city, maintain the cars, and replace them. Bids were received from two local dealers on the purchase plan and from three dealers on the rental plan; the city decided on the rental plan and awarded the contract to the low bidder.



The dealer supplies the city with 14 cars equipped with five 6-ply heavy duty tires; radio antenna; transferred city-owned radio equipment from the old cars to the new cars; provides all labor and materials for maintenance, including lubrication (except accident repairs); washes each car once a week and replaces all cars at 35,000 miles or one year whichever occurs first. The dealer also agreed to paint each car the standard colors (black and white) used by the city on police cars. Under the contract the city repairs and replaces tires, provides gasoline, carries \$100,000 to \$300,000 public liability and property damage insurance, and pays the dealer 2 cents per mile. The over-all cost of operation of the 14 cars to the city during the first year of the agreement was 3.991 cents per mile, or \$112.16 per car per month.

At the end of the first year under the above arrangement the dealer was not interested in renewing the contract at the flat 2-cent per mile rate because the monthly mileage of most cars was considerably less than had been anticipated. The same dealer, however, agreed to renewal of the contract at the rental rate of 2 cents per mile with the city agreeing to pay a minimum charge of \$75 (or 3,750 miles) per car per month, and this is the plan under which the city is now operating. Experience with this "minimum-charge" clause has had the effect of raising the rental cost to 2.9 cents per mile and of raising the over-all cost of operation to the city to 4.891 cents per mile. A careful analysis of the cost of operating 12 city-owned police cars in 1949-50 shows that the city under the present rental plan is effecting a saving of seven-tenths of one cent per mile. The cost of operating the city-owned cars in 1949-50 included an item for depreciation which made the total cost per mile 5.090 cents. In addition, it was thought desirable for comparative purposes to allow an upward adjustment of 10 per cent to compensate for increased cost of new cars and higher cost of labor and materials which would bring the cost per mile for that year to 5.599 cents per mile.

The car rental plan in Burbank, according to the city manager, has resulted in (1) reduced cost of police patrol car service, (2) periodic replacement of cars with the result that the fleet at all times consists of only late model cars, (3) maximum availability of cars by reducing to a minimum the number of car-hours lost for making repairs because the dealer supplies 24-hour service, and (4) the stabilization of cost of police car service throughout the fiscal year.

Charleston County, S. C. (164,856): In July, 1950, the county awarded a two-year contract to a local car dealer who furnishes 14 two-door Mercury sedan or club coupe autos for police use. Five bids had been received ranging from 2.33 to 4 cents per mile. The lowest bidder, who was awarded the contract, replaces each car with a new one when it has traveled 30,000 miles or at the end of one year whichever occurs first. In accordance with the agreement the original rental rate of 2.33 cents per mile has been renegotiated each time the United States Bureau of Labor Statistics "Standard Index of Wholesale Prices for Automotive Equipment" increases 3 per cent. These increases, together with the increase permitted for increased cost of equipment, have resulted in a present rental rate of 2.92 cents per mile.

The dealer provides regular maintenance, inspections, mechanical repairs, greasing, and washing twice per month. The dealer also agrees to permit the county to register the cars in the name of the county if that is required in order to exempt the equipment from federal, county, and city taxes. The county pays for the gas, oil, additional tires, and anti-freeze, and also furnishes and pays the installation costs of all special equipment, special paint jobs for identification purposes, and comprehensive, collision, and liability insurance. Over-all costs for operating the police cars averages 6.5 cents per mile.



Rental of cars has proved satisfactory to the county, according to the county manager, because the police are provided at all times with late model cars that are well-maintained. One disadvantage under the present agreement, according to the manager, is that when the car is turned back to the dealer, all special equipment must be removed, dents and body damages repaired, and the car repainted at county expense. Experience also shows that county police drive cars approximately 50,000 miles per year which means that under the present agreement cars are turned in at eight or nine months with 30,000 miles service. When the present rental contract expires it is possible that the county will ask for alternate bids on trade-ins at 30,000 and at 50,000 miles.

Escanaba, Mich. (15,068): The city since February, 1951, has leased one police car from a local dealer at 1 1/4 cents per mile, and the dealer bills the city monthly. The dealer equips the car with a left-hand outside mirror, five wheels and tires, and an air conditioning heater. The dealer furnishes lubrication, maintenance, and replacement of moving parts. The city furnishes gas, oil, tires and tubes after the original set, all special police equipment, and liability insurance. The city is responsible for collision damage and must change oil weekly. The dealer replaces the car when maintenance costs exceed payments from the city. Title to the car is vested in the city. The agreement may be terminated by either party on 90 days written notice. The rental plan has proved advantageous to the city, according to the city manager, because the car is kept in top operating condition at all times.

Inglewood, Calif. (46,046): The city began leasing cars for police duty in 1950 and the first annual contract was awarded to the lowest bidder at \$55 per month per vehicle for four-door Studebaker Champions. At the end of the year the dealer requested cancellation on the basis that this payment did not cover actual costs, and the police department stated that the cars provided did not have enough power for police work. The city readvertised in October, 1951, and the Studebaker dealer again was the low bidder for Studebaker Commander V-8's at \$95 per month per car, the dealer agreeing to replace each car after 12 months of service. The city rents eight of these cars but the contract provides that more can be obtained without any change in the existing agreement.

The dealer does all repair and maintenance work, lubrication, and provides one extra set of tires and tubes if necessary, provides oil, and pays all taxes and legal ownership fees. The city pays for gasoline, special police equipment, public liability and property damage insurance, and for repairs resulting from collisions. The contract is of indefinite length and may be cancelled after one year by either party on 30-day written notice. The dealer furnishes a \$2,000 faithful performance bond.

This rental plan has proved entirely satisfactory to the city, according to the city manager. No capital investment is involved, the police department is assured of operating up-to-date equipment since no car is more than one year old, and the dealer is interested in maintaining the cars in good mechanical condition because he expects to resell them as used cars at the end of the year. Under the contract the city has with the dealer it is not necessary to secure council approval each time a new car is needed.

Las Vegas, Nev. (24,418): On January 1, 1952, the city entered into an agreement with a local touring agency to supply the city with new Chevrolet, Plymouth, or Ford cars, at the option of the city, the dealer to maintain and lubricate the cars, furnish heaters, replace tires as necessary, and install certain equipment at cost plus 10 per cent, and to replace the car every 40,000 miles or at the end of one year, whichever comes first. The city pays the company \$75 per month per car, up to 3,000 miles of use per month, plus 3 cents per mile for mileage in excess of 3,000 miles in any one month. The city carries and pays for all insurance, supplies gas and oil



except at the 1,000 mile oil change, makes all necessary repairs to the body of the car, and agrees to return the car to the dealer with the body in good repair and car in the original color in which it was received. Only cars for police service are being rented at the outset but the lease agreement is for any number of cars for any city department.

Montebello, Calif. (21,754): The city late in 1951 rented cars for police and fire use from the local Ford dealer who supplies tires and tubes, oil, lubrication, parts, and maintenance. The city pays the dealer \$80 per month for not to exceed 2,500 miles per month and 1 cent per mile for each mile in excess of 2,500 miles. The city pays 2 cents per mile maintenance for police motorcycles.

Sanitary District of Chicago: Since July, 1950, the district has rented 18 cars. Under the first one-year contract the dealer furnished the cars at \$63 per month each and district officials estimated that they saved nearly \$1,500 by renting instead of owning cars. At the end of the year, however, the dealer would not renew the contract at the old rate and it was awarded to a new supplier on a bid of \$74.50 per car, the dealer supplying everything that goes with the car except gas and oil. When a rented car breaks down the driver calls the dealer who immediately sends out another car and takes the other car in for repairs.

Tucson, Ariz. (45,064): Since July, 1949, the city has leased 14 Chevrolet cars for police use (four 4-door sedans and 10 business coupes) at 1 1/2 cents per mile per car. When the cars are delivered the city pays the dealer \$300 per car for 20,000 miles. When a car shows a mileage of 20,000 the dealer bills the city monthly at 1 1/2 cents per mile in excess of the 20,000 miles. The cars are replaced at between 20,000 to 35,000 miles or after one year. The city pays for gasoline, oil, tire repair and replacement, washing, and polishing. Mechanical and structural maintenance not covered by the manufacturer's or dealer's warranty is the responsibility of the city. The city also installs three-way radios, fire extinguishers, first-aid kits, and sirens.

#### Purchase Cars and Lease Maintenance

In seven cities cars are bought by the city with trade-in agreements, and the contractor in most cases provides repairs and maintenance.

Culver City, Calif. (19,646): The city has an agreement with a local Ford dealer under which the city purchases police cars at a fixed rate for trade-in value. The dealer replaces the cars every 25,000 miles at a rate of 2 cents per mile. The city owns the cars and this means that at 25,000 miles the city pays \$500 for a new car. Maintenance of police cars is handled by the city.

El Monte, Calif. (8,103): In June, 1950, the city signed a five-year contract with a local dealer who provides two eight-cylinder Pontiac police special four-door sedans. The city pays the specified purchase price within 15 days after delivery and also pays for installing special police equipment at specified rates. After 30,000 miles or 12 months, whichever occurs first, the dealer replaces the cars with similar model cars at \$360 per car. The city owns and maintains the cars. The original price was \$1,975 per car.

Monterey Park, Calif. (22,000): The city early in 1951 adopted the plan of buying Pontiac passenger cars for the police, fire, public works, and water departments on a yearly replacement basis at the rate of \$400 per year per car. The dealer maintains the cars at three-fourths of one cent per mile. The city pays for gasoline and also oil added between the 1000-mile oil changes. The agency maintains a detailed chart on each car and bills the city monthly for maintenance. The average



police car, driven approximately 30,000 miles yearly, costs the city about \$625 per year. Other cars, driven an average of 7,500 miles, cost from \$450 to \$465 annually. Another local dealer furnishes the police department with solo motorcycles at a flat trade-in price of \$340 on one-year old machines.

Pasadena, Calif. (104,087): The city buys deluxe 8-cylinder Ford cars for police use and contracts with the dealer for their maintenance. These cars are turned in at 34,000 miles or one year, whichever comes first, and \$325 is paid for the new car. The cars are equipped by the dealer with seat covers, radio antenna, and heavy-duty six-ply tires. The dealer transfers the sirens, spotlights, heavy-duty battery cables in the trunk compartment, alternators, and gun racks from the old to the new cars at no additional charge. The city pays for special paint jobs. The trade-in price is subject to change, based on prices published by the manufacturer, and if the mileage exceeds 34,000 the city pays one cent per mile in addition to the \$325. The dealer lubricates and maintains the cars, including labor and parts, at three-fourths of one cent per mile, and the city supplies gas, oil, and tire replacements. All repairs except damage resulting from an accident or collision are made by the dealer. This plan has been in effect since February, 1950.

Redlands, Calif. (18,411): In November, 1949, the city purchased three black four-door Plymouth deluxe sedans at \$1,771 each (excluding federal excise tax of \$86 and state and city sales tax \$68) and entered into an agreement with the dealer under which these cars would be replaced after 30,000 to 35,000 miles or within 14 months whichever comes first at a net cost of \$300 per car. The dealer also agreed to provide weekly inspection of each car and to maintain and service each car at a flat monthly rate of \$30 per car, to include all repairs except damages sustained in accident or collision. The city pays for gas, replacement tires if any, and installation of special police equipment. The agreement runs for three years but either party has the right in December of each year to cancel the agreement by written notice, the agreement to terminate six months later. The city had received bids from nine car dealers.

San Buenaventura, Calif. (16,535): Since 1950 the city has purchased police cars from a local dealer who replaces them at 30,000 miles or 11 months, whichever occurs first, at \$445 per car. The six cars used are deluxe four-door Mercury sedans equipped with five four-ply tires, oil filter, 60 ampere generator and voltage regulator, heavy duty springs and shocks, six volt 130 ampere battery, and air heater and defroster. The dealer agrees to inspect, service, and maintain each at 1 cent per mile or \$25 per car per month, whichever cost is greater, all cars to be inspected at least every 1,000 miles or 10 days whichever occurs first. The dealer makes all repairs and replacements on a 24-hour per day basis and provides tow-car service on any breakdowns occurring within a 35-mile radius of the city limits. Parts are supplied at a 20 per cent discount. The dealer agrees to changover from traded-in to new vehicles all police equipment, at a flat charge of \$19.90 per car and the dealer provides seat covers, paints the cars as designated by the city, bills the city monthly, maintains monthly records of all costs and supplies copies of such records to the city. The police chief reports that the dealer provides excellent maintenance because he is looking forward to the resale value of the car and that quick service is obtained on repairs.

South Pasadena, Calif. (18,000): The city has purchased cars for police use from the local Chevrolet dealer who agrees to replace cars after 30,000 miles for \$350 and the old car. The dealer maintains the cars, supplying parts, repairs, and service at the cost of \$45 per month per car. This includes washing and cleaning once each week. The city supplies gasoline, tires, and repairs due to collisions. Alternator generators, radios, sirens, spot lights and car heaters are extra equipment owned and maintained by the city and transferred to new cars when a trade is made.



City "Rents" Cars from Employees

Many cities make regular monthly payments for automobile allowances to employees who use their own automobiles on city business. Several variations exist in methods of reimbursement, ranging from the payment of flat mileage rates to fixed monthly rates. An equitable plan, and one becoming increasingly popular in private industry, is a system combining a mileage allowance (in payment of maintenance costs) with a fixed monthly rate (in payment for depreciation and other fixed costs to the vehicle owner).

Berkeley, Calif. (113,217): One of the most extensive plans of this type is found in Berkeley, where 187 vehicles are owned by individual employees who are reimbursed by the city. About 100 of these are used by police officers. The allowance for each employee within one of five categories is established upon application by the department head and approval of the city manager. The employee is charged with the responsibility for recording this mileage each day in a book provided by the city. Department heads are responsible for the proper operation of the allowance system in their departments through review of monthly mileages, spot checks, and other control of automobile use within the departments.

The standing or fixed monthly allowance is computed for each yearly model of one of the popular low priced automobiles which is used as a standard. In the high mileage group (police officers) the city pays a \$39 fixed monthly allowance for a 1951 new car plus 1 cent per mile and furnishes gasoline not to exceed one gallon per 10 miles on city business and oil not to exceed 6 quarts per 1000 miles. After 4 years the mileage allowance increases to 1 1/2 cents since maintenance costs increase as the vehicle becomes older.

In a second large category of vehicles given less hard usage than police vehicles, depreciation is computed over a longer period of time and hence the fixed monthly allowance for a new 1951 vehicle is \$28. And, at the other end of the scale an employee furnishing a 1939 secondhand vehicle for City business receives \$8 per month fixed allowance. The operating and fuel allowances are alike in all cases. In order to arrive at the cost of new vehicles for purposes of ascertaining the fixed monthly payment, actual checks are made periodically with various automobile dealers as to selling prices. The cost of secondhand cars for the various year models is taken periodically from the Blue Book of used car prices.

A few city employees who make comparatively little use of their cars are paid flat monthly allowances ranging from \$7.50 to \$20 per month and a number of other employees who do not receive an allowance, but are authorized to use their cars, are paid 7 cents per mile without gasoline, oil or other payments.

Note: Officials of cities subscribing to MIS may obtain on request loan copies of specifications and lease agreements used by several cities. MIS has on file the specifications and agreements of Alexandria, Va., and Burbank, Inglewood, and Redlands, Calif.; also copies of the lease agreements used by Las Vegas, Nev., and El Monte and San Buenaventura, Calif.; and loan copies of an automotive operating record kept by Alhambra, Calif.